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C O N F I D E N T I A L SECTION 01 OF 02 CANBERRA 000893

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STATE FOR S/SECC STERN, OES/EGC DEROSA-JOYNT AND YOFFE,
WHITE HOUSE FOR CEQ

E.O. 12958: DECL: 09/26/2019
TAGS: [SENV](#) [ECON](#) [ETRD](#) [AS](#)
SUBJECT: GOVERNMENT CLOSES IN ON CLIMATE BILL VOTE

REF: A. CANBERRA 860
[1](#)B. CANBERRA 774

Classified By: Political-Economic Counselor Edgard Kagan, Reasons 1.4(b)
(d).

[1](#)1. (SBU) Summary: Views on the Rudd government's climate change legislation continue to evolve as the government maneuvers to bring the Carbon Pollution Reduction Scheme (CPRS) before the Senate for a second vote in November. The government could try to force the opposition to support the legislation or face an early election, but there are growing signs of progress toward a compromise in Canberra. Key contacts are increasingly confident that the bills will pass in the Senate before the end of the year. End Summary.

Liberals Working Toward a Deal

[1](#)2. (C/NF) Pol/Econ Counselor and Econoff met September 15 with Greg Hunt, Opposition spokesperson on the environment, in Canberra. Hunt said that, in his view, the government will likely bring back the legislation for a second vote, and the odds are "50/50" that Opposition Leader Malcolm Turnbull will be able to get enough votes in his Liberal party to defeat the bills. The Nationals will never support the legislation, Hunt said, but a "velvet divorce" over the CPRS would be easier to handle than continued anarchy in the Coalition party room.

[1](#)3. (C/NF) The Liberal Party wants to delay the CPRS until after the Copenhagen UNFCCC talks, but Hunt acknowledged that this strategy will likely lose steam as it becomes clear that Copenhagen will not be a short or easily concluded negotiation. Hunt confirmed that Turnbull's preference is to pass the bills and move on, but only with key amendments in place. In Hunt's view, if the Copenhagen talks appear to be a failure, domestic appetite for action on climate would increase, but support for an emissions trading scheme would likely disappear.

[1](#)4. (C/NF) There are several key amendments the Liberals will seek, including removing agriculture from the scheme and providing full protection to electricity generators, to

prevent a collapse in their value. Hunt said the CPRS as currently envisioned would immediately result in a loss of asset value to dirty coal-fired electricity generators. These losses would likely place some of them in violation of Australian fiduciary requirements and could face legal penalties beyond the cost of the CPRS. The Liberals will have to see some cover for these entities before they agree to pass the bills.

Lack of Challenger Helps Government

15. (C/NF) Pol/Econ Counselor met with Andrew Kirk, Chief of Staff to Shadow Finance Minister Joe Hockey on September 23. Kirk said that there was still division in the Liberal ranks, but the chief challengers for leadership in the party, Hockey and Tony Abbott, had agreed for now to support Turnbull. The centrist block in the Liberal Party was large enough to pass the bills in the Senate, Kirk said, and the lack of a current strong challenger to Turnbull's leadership meant that the Liberals could allow their members to cross the aisle without bringing Turnbull down. Passing the CPRS and then campaigning against its impacts appears more palatable than blocking it and having to face an early election.

Wong Tightens Screws From Afar

16. (SBU) Climate Change Minister Wong tried to capitalize on the cracks showing in the Opposition on September 23, when

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she announced (while on travel in the U.S.) that the government would give the Opposition 28 days to organize its amendments to the bills before bringing it before the Senate.

This "ultimatum" signals that the government will not accept delay for the sake of amendment drafting in November. Liberal heavyweight Ian McFarlane (former Minister for Energy and Resources) acknowledged in a national radio interview that the Liberals would seek to meet that timeline, as it was consistent with their own plans.

17. (C/NF) Comment: The end game for the CPRS legislation is kicking into high gear, but the outcome appears clear. The Liberal-National coalition will split over the bills, and a number of hard core Liberals will cross the floor to vote against the CPRS. In the end, however, Turnbull and his faction will move enough votes to pass the CPRS, get it off the table, and avoid an early election. Many of our contacts in industry are confident of this as well (septel). Barring a further falling out among the key Liberal senators, Australia will likely have national climate legislation passed before Copenhagen. End Comment.

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